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South and East Asia Report

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6 August 1982

SOUTH AND EAST ASIA REPORT

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AUSTRALIA

MELBOURNE ASSESSES FORTHCOMING LABOR PARTY CAUCUS

BK110633 Melbourne Overseas Service in English 1110 GMT 9 Jul 82

[Report from the "Australian Insight" program]

[Excerpts] The battle for the leadership of the opposition Labor Party is well underway. The challenger, Mr Bob Hawke, for the first time, spoke about his reasons for challenging the leader of the party, Mr Bill Hayden. The leadership question will be settled at a special meeting of the parliamentary Labor Party next Friday. Mr Hayden called the special meeting following speculation that a challenge would be mounted against him. (Bill Nicholl) reports from Canberra:

Mr Hawke put his case at the end of a week-long meeting of Labor's national conference, the supreme policy-making body of the party. The conference was dominated by speculation of a leadership challenge by Mr Hawke. But, while the national conference can decide party policy, it has no power to determine who will lead the party. That power rests with the parliamentary Labor Party, the caucus--the group of 79 Labor members of Federal Parliament. Only they can elect their leader; only they can depose him.

The present leader, Mr Bill Hayden, called a special meeting of caucus for next Friday [16 July] to determine the leadership issue. He did so following publication of two opinion polls. The first showed Mr Hawke with more electoral appeal than either he or the prime minister, Mr Fraser. It was this which sparked first talk of a possible challenge to Mr Hayden's leadership. Then, this week, came another poll. This showed Mr Hayden slipping further behind Mr Fraser in voters' opinion of who they preferred as prime minister. Mr Hawke declared it a matter of concern and Mr Hayden responded by formally declaring that the battle for the leadership of the party was on. Mr Hawke then declared himself a candidate and he has given this explanation for doing so:

[Begin Hawke recording] I am terribly concerned about the condition of Australia--not just of its economy, but also of the social condition. I believe that Australia can no longer afford any more years of Fraserism. Neither can the Labor Party afford the danger of any longer being in opposition. Australia needs a change of government and I believe the Labor Party needs to be out of opposition and into government. [End recording]

Mr Hawke's experience may be unique. But many questions remain as to what sort of Labor Party leader he would make. Indeed, what sort of prime minister? Take the issue of foreign policy. Mr Hawke is an outspoken friend of Israel. His party, however, has condemned Israel's invasion of Lebanon. Does he stand by this condemnation?

[Begin Hawke recording] I believe there is ground for (?more substantial) criticism of the action of the Begin government and, indeed, that position has been taken by the counterpart in Israel of the Australian Labor Party. They have condemned much of what has happened. I think the most important part that is involved in the very, very brief discussion on this issue is the way in which elements of the Labor Party who had hitherto refused to recognize the right of Israel to exist has moved. And I--there isn't the opportunity here to go into it at a time like this--I want to put on record that I regard that move as very significant. I welcome it. [End recording]

Whichever man, Hawke or Hayden, wins the leadership contest, he will take charge of a party with a new set of policies described by some observers as coherent and credible, if fairly bland. The policies are the result of this week's meeting of the Labor Party's national conference, as we said, the supreme policy-making body of the party. The theme of the conference was preparing for government and this it set about doing.

It was a conference at which the pragmatists ruled supreme, steering through policies that would, if not positively attract support to Labor at the next federal election, at least not alienate potential Labor voters. Most notable of these policies was that on uranium. Labor's hardline stand against the mining and export of Australian uranium was replaced with a watered-down version, allowing the industry to be phased out over an indefinite period.

There was also a move at the conference to abolish all the Australian Government's intelligence and counterintelligence networks. The move was defeated. Later came a move to withdraw Australia from the Australia-New Zealand-United States military alliance, ANZUS, and also to forbid any new foreign military bases or facilities to be set up in Australia. These moves were also defeated.

Had each of these issues been treated differently, the Australian Labor Party could well have found itself with a package of policies extremely hard to sell to the average Australian--to what is known as the middle ground of Australian politics where elections are won or lost. But that difficulty has now, for the most part, been overcome. Those who want Labor to win office and not simply remain in opposition as a party of conscience--the so-called pragmatists--they have shown themselves to be in the ascendency in the party. The question yet to be answered is this: Will the pragmatists continue to hold sway when the party decides next week who should be its new leader? Who should be the one to sell party's the new policies to the Australian electorate?

AUSTRALIA

BRIEFS

BUFFALO SUPPLY TO INDONESIA--The Indonesian Government is to be supplied with 3,000 buffalo from the northern territory over the next 2 years. A Radio Australia report says that by the time they are landed in Indonesia, the buffalo will be worth about \$2 million. The deal was announced at the end of a visit to the northern territory by senior Indonesian Government officials. The buffalo will be used in plans by Indonesia's President Suharto to encourage his people to populate and farm in more isolated areas. [Text] [Melbourne Overseas Service in English 0500 GMT 12 Jul 82]

DOUBLE TAXATION AGREEMENT WITH ROK--South Korea has joined a large number of other countries and signed a double taxation agreement with the Australian Government. The agreement ensured that all forms of income flowing between the two countries are taxed once only. Legislation to give the agreement legal status will be introduced into Parliament early in the August budget session. [Text] [Melbourne Overseas Service in English 0500 GMT 12 Jul 82]

BALANCE OF PAYMENT SURPLUS--Despite the world recession and a record trade deficit Australia has finished with an overall balance of payment surplus in the financial year just ended. Figures from the Bureau of Statistics show that Australia had an overall surplus of \$1,361 million--about the same as in the previous financial year. The Australian dollar is worth about the same as the American dollar. Australia ran up a record trade deficit almost double the figure of the previous year, with the value of imports exceeding exports by \$3,400 million. The deficit was more than offset, however, by a record inflow of overseas money amounting to almost \$10,500 million. [Text] [Melbourne Overseas Service in English 0500 GMT 12 Jul 82]

RAIN SHORTAGE THREATENS CROPS--The Australian Wheat Board says that this year's wheat crop will be seriously reduced unless good rains fall in the next 2 weeks. The board's general manager, Mr Max Moore-Wilson, says that unless there is rain throughout the wheat belt, this year's crop will be well below last year's near record crop of almost 16.5 million tons. Mr Moore-Wilson says that an unusually long dry spell has caused many farmers to be hesitant in planting their wheat. [Text] [Melbourne Overseas Service in English 0830 GMT 13 Jul 82]

GOVERNMENT ECONOMIC MISMANAGEMENT RAPPED--The federal opposition leader, Mr Hayden, has renewed his attack on the government's handling of the economy particularly in the areas of taxation and unemployment. Mr Hayden also said that a Labor government would have great difficulty in undoing the damage that the Fraser government had done to employment prospects in Australia. Addressing the national conference of the Federated Iron Workers Association in Sydney, Mr Hayden said that labor would not be able to reduce unemployment unless it could increase sustained economic growth of at least 5 percent a year without aggravating inflation. Even then it would take the best part of 10 years to bring unemployment down to around 2 percent of the work force compared with the present rate of about 6 percent. On taxation, Mr Hayden said that in the 6 and 1/2 years the Fraser government had been in power it had distorted collection and redistribution of tax revenue. He said the government had collected more tax in 6 years than the Australian people had paid in the previous 20 years. [Text] [BK121107 Melbourne Overseas Service in English 0830 GMT 12 Jul 82]

FISHERMEN TO WATCH FOR FOREIGN VESSELS--Canberra, 12 Jul (AFP)--Australian fishermen will be paid by the Australian Government to act as spies watching for illegal foreign operations in Australian waters, the Department of Primary Industry and the Australian Coastal Surveillance Centre announced today. A "realistic daily rate" is being calculated in consultation with fishermen's organisations, the sources added. In an official brochure issued by the Australian Government, the fishermen are warned to make no attempt to apprehend foreign vessels but to alert coastal surveillance and if thought necessary the Royal Australian Navy. The Australian Government is concerned about the growing number of foreign vessels fishing illegally around the coast, with possible involvement in smuggling. The fishermen will not be allowed to use firearms. The fishermen are being warned that there are many Japanese operating legally under Australian licence and they must not be offended. As soon as this system begins to operate, every captain will be an Australian watching eye with electronic communication equipment financed by the Australian Government for instant contact with the Australian naval patrol, the sources said. [Text] [BK121353 Hong Kong AFP in English 0713 GMT 12 Jul 82]

DEMOCRATS OPPOSE NUCLEAR POWER INDUSTRY--Canberra, 12 Jul (AFP)--The Australian Democrats will prevent the establishment of a nuclear power industry in Australia by using its control of the Australian Federal Parliament's upper house, the Senate. The leader of the Australian Democrats, Senator Don Chipp, warned the Fraser government today that whatever the Labor opposition might do, the Australian Democrats would not support any legislation to help establish a nuclear fuel enrichment industry, especially one under control of any of the states of Australia. Labor and the Australian Democrats, voting together, can block any such government proposal. "The nuclear power industry is widely recognised as being on the way out. It is burdened by excessive capital costs, safety concerns and waste storage problems. Its economic benefits to Australia are dubious. It would be a folly for Australia to embark on what is redundant and discredited," Sen Chipp said. "It would be particularly disastrous if some of the obsessive pro-nuclear premiers were able to control and regulate the nuclear

industry themselves," Senator Chipp added. He said it was horrifying enough to imagine a nuclear-power industry controlled by the Fraser Liberal government, "but it was a nightmare to imagine each of the six states under premiers of differing political persuasions jealously presiding over their own nuclear kingdoms." [Text] [BK121255 Hong Kong AFP in English 0730 GMT 12 Jul 82]

BRITAIN TO KEEP CARRIER--Britain is to keep the aircraft carrier, Invincible, which it had earlier agreed to sell to Australia. Australia had contracted to buy the Invincible next year but the Falklands war forced Britain to review its defense requirements and it has decided to keep the carrier. Australia's Defense Minister Mr Sinclair, who has had talks on the subject in London this week, says Australia is not likely to accept a British offer to lease or buy a much older aircraft carrier, the Hermes. He said another option was to order a new carrier from Britain but this would take some years to build and would cost twice as much as the Invincible. Mr Sinclair said the British decision would mean a major naval defense appraisal for Australia. The prime minister, Mr Fraser, says Britain's decision is a great misfortune for Australia's defense forces. But Australia could not hold Britain to any moral obligation to go ahead with the sale. A Defense Department spokesman [said] it's most unlikely that the aircraft carrier Melbourne will be recommissioned to fill the gap. The Melbourne was taken out of service earlier this year after being the navy's flagship for quarter of a century. The federal opposition leader, Mr Hayden, says Australia should be celebrating the loss of the Invincible. Mr Hayden said Australia should now be carrying out a major reassessment of how to spend the money available for defense. He said Australia should consider buying more small and fast surface vessels, such as new Corvettes of about 1,500 to 2,000 tons. They had enormous firepower and provided an effective platform for missile fire. Mr Hayden said Australia needed more submarines, more patrol vessels and a review of army functions. The air force needed more missile capacity. [Text] [BK140913 Melbourne Overseas Service in English 0830 GMT 14 Jul 82]

LABOR PARTY CONFERENCE ENDS--The Australian Labor Party has strongly condemned what it called Israel's brutal invasion and occupation of Lebanon. The party's national conference in Canberra said it deplored the reckless disregard by Israel for civilian lives in Lebanon, the indiscriminate bombing of Palestinian refugee camps and the blockade of west Beirut. The conference also decided that the Labor government should regenerate the housing industry by encouraging investment in housing bonds by introducing new mortgage schemes and by providing extra funds to the states. With the conference now over, lobbying is on in earnest for the leadership of the party to be decided at a caucus meeting next Friday [16 July]. The former trade union leader, Mr Bob Hawke, has said he has the experience and knowledge to lead the party to victory at the next federal election. Speaking to newsmen at the end of the conference, Mr Hawke said Australia could not afford any more years of Fraserism and the Labor Party must get into government. He said he intended no personal hurt or vindictiveness to the present opposition leader, Mr Hayden, and would like to use his talents if he replaced him. [Text] [BK091020 Melbourne Overseas Service in English 0830 GMT 9 Jul 82]

TU LEADERS RAP ECONOMIC ACCORD--Australian and New Zealand union leaders say not enough thought has been given to the proposed closer economic relations agreement between their countries. In a joint statement in Wellington, they said there had been inadequate discussion between the parties involved, important issues were being left outside the terms of the agreement and its duration was open-ended, while the possible effects were not known. The statement was issued after a meeting between the president of the Australian Council of Trade Unions, Mr Dolan, and the president of the New Zealand Federation of Labor, Mr (Knox), and other senior union officials. Mr Dolan said important factors not incorporated in the draft agreement included the Australian-New Zealand currency exchange rate, New Zealand's lower wage rate and protective trade structures with the rest of the world, particularly in relation to the South Pacific. He said labor market issues, such as the training or retraining of workers affected by structural adjustments arising from the agreement should also be covered. [Text] [BK181209 Melbourne Overseas Service in English 1130 GMT 18 Jul 82]

BUDGET DEFICIT RECORDED--The federal government had a budget deficit in the financial year to the end of June of more than \$600 million--that's more than four times the original budget estimate. The Australian dollar is worth slightly more than the American dollar. Giving the deficit figure, the treasurer, Mr Howard, said the main reasons for the increase had included wage rises for the defense forces and other government workers and increased payments to the unemployment. [Text] [BK110947 Melbourne Overseas Service in English 0830 GMT 8 Jul 82]

CSO: 4220/246

PLA ACTIVITIES IN MANIPUR DECLINING

Calcutta THE STATESMAN in English 28 Jun 82 p 9

[Text]

IMPHAL, June 27.—The activities of outlaws, particularly of the People's Liberation Army, in Manipur, has sharply declined in the past year as a result of the counter-insurgency programme taken up by security personnel two years ago and an "internal crisis," in the extremists' organization, reports PTI.

The PLA has 18 units comprising 50 hardcore members, besides 500 supporters, official sources said here today. The number of major incidents connected with extremists has come down to five or six in the first half of the year against 96 during the same period in 1981. There were 155 incidents of robbery, dacoity and murder during the year against 114 in 1980.

The PLA has suffered a major setback in the arrest and killing of two of its leaders, N. Bisheswar Singh and Th. Gunjabihari Singh. This was an "irreparable loss" for them, the sources claimed.

Bisheswar Singh was captured alive, following an encounter between PLA members and Army personnel in which seven hardcore outlaws were killed at Teekcham, 20 km south of here, on July 8 last year.

The "internal crisis" in the organization arose soon after the killing of Gunjabihari Singh, immediate successor to Bisheswar Singh, in an encounter with Army personnel at Kadampokpi, near here, on April 13, the sources said.

Though Manikanta Singh was reported to be chief of the organization, another hardcore, Temba Singh, announced his leadership on

June 8 creating a "crisis" in the organization. Sanaba Singh and Madhuchandra Singh, Bisheswar's brother, were also struggling for the "topmost post".

Temba Singh is reported to be in the valley area now trying to collect "scattered members" who have infiltrated into the State from Burma.

With 114 PLA members put away behind bars this year, the State Government was doing its best to counter extremist propaganda and had tightened security measures at all vulnerable points.

The Government departments and offices have been instructed, the sources said, to utilize security personnel while transacting money as a measure of preventing snatching by extremists.

The State Government has renewed its appeal to underground youths to lay down arms and participate in the development programmes being taken up in the State, they added.

Official sources believe that the PLA had joined hands with the outlawed Mizo National Front. The sources said large number of MNF members had infiltrated into the Manipur South district and were collecting money from the residents of the border villages.

INDONESIA

POLITICAL DIFFERENCES WITH U.S. DETAILED

BK081434 Hong Kong AFP in English 1258 GMT 8 Jul 82

[Report by Gilles Bertin]

[Text] Jakarta, 8 Jul (AFP)--Criticism of U.S. Middle East policy in the press and even more some official quarters in this predominantly Moslem country has highlighted the growing differences between Jakarta and Washington on foreign policy issues.

In recent days the U.S. Embassy here has been besieged with petitions from various Indonesian groups composed of Moslem personalities, lawyers, intellectuals and a parliamentarian calling on Washington to reassess its Middle East policy. They also demanded "human rights for the Palestinians in Lebanon," their right to sovereignty and the withdrawal of Israeli troops from Lebanon.

In Jakarta, clandestine petitions are often used by the extra-parliamentary opposition to publicise what the government-controlled local press does not carry. In a country where criticism is muted, these petitions and the fact that the local press and the official news agency ANTARA have both given them full coverage, probably mirror government discontent with the United States, observers here say.

Indonesia's population is 90 percent Moslem and feels very close to the Arab world although it is also pro-Western.

The disagreement between Jakarta and Washington is not confined to the Middle East. Washington would like to see Indonesia recognise China and there are difficulties, too, over more general issues such as the law of the sea treaty, the international tin market and the North-South dialogue between rich and poor nations.

Indonesia is also trying to play a more assertive role in the nonaligned movement and is therefore moving to distance itself from Washington. The United States has been without an ambassador here for 8 months. In May the U.S. State Department withdrew the candidature of Morton Abramowitz after hearing no word from Indonesia on his accreditation. Washington had reportedly made public the fact that Indonesia had turned down Mr Abramowitz and such a disclosure was against diplomatic practice.

Indonesian officials privately say U.S. President Ronald Reagan's administration shows little understanding for Indonesia and at times behaves in an "arrogant" fashion.

Indonesia has eyed with suspicion the Sino-U.S. rapprochement and holds the view that Beijing is in fact more of a threat to the region than Soviet-backed Vietnam.

General Suharto's government has been guarded in its reaction to the recent formation of a Cambodian coalition of anti-Vietnamese groups and maintains discreet relations with Hanoi. Washington has welcomed the formation of the anti-Vietnamese coalition.

Economically, as one of the world's leading producers of oil and tin, Indonesia also has conflicts of interests with Washington.

On 29 June Indonesia and two other members of the Association of Southeast Asian Nations [ASEAN]--Thailand and Malaysia--which together produce 65 percent of the world's tin, agreed to form a tin association to protect producers' interests. The move came in reaction to the release by the United States of tin from its strategic stockpile on an already depressed world market.

CSO: 4220/246

OFFICIAL REVIEWS TRADE WITH MIDDLE EAST

BK191256 Jakarta ANTARA in English 1108 GMT 19 Jul 82

[Text] Jakarta, 19 Jul (ANTARA)--The trade balance between Indonesia and the Middle East countries is still in disfavour of Indonesia due to the abundant import of crude oil from Saudi Arabia. This was stated by chairman of the team for Middle East export coordination, Dr Zainul Yasni in a talk to ANTARA here Monday.

Indonesian exports to the Middle East countries in 1981 totalled only U.S.\$129 million against the Indonesian imports of U.S.\$757 million which meant a deficit of U.S.\$628 million on the part of Indonesia.

The Indonesian exports to the Middle East countries covered such commodities as oil palm, cement, plywood, textile, coffee, tea and garments whereas imports from those countries comprised oil, phosphate rocks, cotton, dates, fertilizer and spices.

Despite deficit in the bilateral trade relations, the Indonesian exports to the Middle East countries are increasing from year to year, Zainul Yasni said. Yasni pointed out that the Indonesian exports to the Middle East had increased from U.S.\$76 million in 1978 to U.S.\$79 in 1980, and then to U.S.\$129 million in 1981, and was expected to reach some U.S.\$200 million in 1982 thanks to the Indomels shipping facilities.

In a bid to promote the Indonesian non-oil exports to the Middle East countries, the Indonesian side has made a series of surveys including and [as received] trade exhibitions introducing Indonesian commodities in the Middle East countries concerned.

Referring to the export of construction services, Zainul Yasni said Indonesia had obtained a foreign exchange reserve of US.\$300 million from sales by the Indonesian construction services including manpower to the Middle East countries in 1981.

Among the problems faced by Indonesia in its manpower exports to the Middle East countries are the lack of skill and experience, Zainul Yasni said.

In an effort to cope with the lack of skill and knowledge connected with the Middle East social situation and customs the government has set up the CDME (Construction Development for Middle East) Training Centre.

Some 20 Indonesian contractors in charge of the Middle East development projects have been associated in the Indonesian Consortium of Construction Industries (ICCI).

Indonesian contractors in the Middle East countries deal with, among other things, a sports complex in Iyadh, prison kitchens in Jidda and Mecca, a prison in Sahra, a hotel in Mecca, a road in Iraq, a flat-house complex in Algiers and a hospital in Riyadh. The ICCI also deals with the projects of navy, air force and army in Kama.

Meanwhile, Zainul Yasni said that ICCI had appointed South Korean subcontractors to help cope with the possible delay of the project due to the lack of Indonesian manpower and foremen. These projects worth U.S.\$205 million are scheduled for completion by next year.

Zainul Yasni also admitted that productivity of Indonesian manpower in the Middle East was below that of South Korean workers. The South Korean workers have been experienced in the Middle East since 1972 whereas the Indonesian since only 1977.

A series of marketing of Indonesian construction service will be made shortly in Algiers, Tunisia, Morocco, the United Arab Emirate, Zainul Yasni said.

CSO: 4220/246

MALIK COMMENTS ON MIDDLE EAST SITUATION

BK191102 Jakarta ANTARA in English 0837 GMT 19 Jul 82

[Text] Jakarta, 19 Jul (ANTARA)--Vice President Adam Malik has called on the United States to pursue a policy which will create peace, in the true sense of the word, and solve the Middle East dispute.

Adam Malik was speaking to news reporters at the Bina Graha presidential office here Monday after meeting with President Suharto. He said that international issues and the follow-up at the recently held coordinative meeting of inspector generals were taken as topics of discussion with the chief executive.

Referring to the situation at home, Vice President Adam Malik said "there is nothing special to comment on and the situation is normal."

He said the solution of the Middle East conflict should satisfy all parties involved, giving Israel and other U.S. sympathizers in the region a sense of security and opening up an opportunity for the Palestinians to regain their homeland.

Commenting on the renewed war between Iraq and Iran, Adam Malik attributed it to Ayatollah Khomeyni's vengeance against Iraq, hoping that the Shi'ite in Iraq will rise arms against the Iraqi Government. He said he believed the revolt by the Shi'ite as expected by Khomeyni simply could not happen due to Iraqi strong nationalism.

With reference to the Israeli invasion of Lebanon and besieged Palestinian independence fighters (PLO) in west Beirut, Adam Malik said the time has come to create peace in the region, otherwise PLO will bring about another problem.

CSO: 4220/246

INDONESIA

CONFERENCE WITH FRG OPENS IN BALI

BK060945 Jakarta ANTARA in English 0738 GMT 6 Jul 82

[Text] Denpasar, 6 Jul (ANTARA)--State Minister for Foreign Affairs Dr Hildegard Hamm-Brucher of West Germany has stressed that her country was not pursuing a trade policy of "protectionism."

"This is of great importance to Indonesia," it was stated by Information Minister Ali Murtopo when asked by newsmen at the close of the opening session of the Indonesia-West German conference held at Sanur Beach Hotel here Monday.

The conference was held under the sponsorship of the Center of Strategic and International Studies (CSIS) of Indonesia and the Asian Studies Center of Hamburg.

That Federal Republic of Germany was not following a policy of protectionism in her foreign trade was important, Minister Ali Murtopo said as this meant that Indonesia could use such a policy as best as she could in her overseas trade relations with that country and boost her exports of non-oil products.

The conference between the two countries was held on the basis of the principle that mutual understanding must be promoted between the two countries, that issues between them should be discussed in an intellectual way and that such meetings should be held regularly. By regular meetings he hoped that alternative formulas on these issues could be developed further on the basis of seizing the economic and technological interests of Indonesia. The most serious issue faced between industrialized countries and developing nations was the marketing of their products.

Minister Ali Murtopo also said that issues taken up between the visiting German minister and President Suharto in Jakarta last week were also discussed during the opening session of the conference here. The minister did not elaborate but said that President Suharto had expressed the hope that the cooperation between West Germany and Indonesia would become the "bridge" in regional cooperation with the association of South East Asian Nations (ASEAN) linking Thailand, Malaysia, Singapore, the Philippines and Indonesia and mutual cooperation with other regional groupings.

Meantime CSTIS Economic Director Dr M. Hadi Susastro explained the world situation as a whole would be discussed during the meeting, particularly West Germany's relations with the European Economic Community (EEC). Apart from the world situation the role of specific countries with wide world influence like the Soviet Union, China, Japan, the United States and the economic ties between ASEAN and the EEC and between Germany and Indonesia were also on the agenda of the talks, Dr Hadi Susastro said.

The meeting, he added, would also collect findings from university officials, she government, private enterprise and others attending the conference. He reported that the participants were free to discuss whatever issue they wanted as they came as private citizens.

After hearing these findings from the participants it was hoped that the respective governments would then be able to decide future policies. It was the first Indonesia-German conference held in Indonesia. A meeting held in 1976 in Germany only discussed Southeast Asia, Dr Hadi Susastro said.

During the current Bali conference, Indonesia would like to know more about the Soviet Union, he disclosed, but declined to elaborate.

The conference, to last till 7 July, is being attended by 16 participants from West Germany and 35 from host Indonesia.

CSO: 4220/246

EDITORIAL ON SETTING UP DEFENSE INDUSTRY

BK120721 Jakarta THE INDONESIA TIMES in English 2 Jul 82 p 2

[Editorial: "Setting Up Our Own Defence Industry"]

[Text] In our development drive, we will soon enter the last year of the third pelita. Then the fourth pelita will follow. Due to the progress, we are shifting away from agricultural to industrial development.

So far, when we talk about developing industries of our own, we generally mean industries that support our agriculture, home industries or cottage industries, secondary industries and tertiary industries. When of late we started talking about establishing more and more basic and heavy industries, we never talked of defence industry. Therefore, we welcome the statement made by the minister of research and technology, Prof Dr Habibie, in Tokyo on Tuesday that Indonesia is now ready to set up a "defence industry" which will be directed towards the production of equipment needed by the Indonesian armed forces, including the police force, to safeguard our 13,000 islands in an area almost the same size of West and East Europe from outside infiltration, mainly in the fight against smuggling. We are sure that the minister voiced the feelings of the Indonesian Government.

We recently witnessed that a modern war and sea battles can be fought thousands of miles away from home bases like the Malvinas war and the sea battles around the islands between Great Britain and Argentina. Considering vast expanse of the Indonesian territorial waters, we cannot afford to discount the possibility of sea encounters between our armed forces and foreign intruders. Therefore, we must from now start building our defense industry, which will eventually be able to produce our battle ships and their related equipment to make our navy viable and strong. By having a defence industry of our own, eventually we should be able to meet the requirements of our army and air force.

Minister Habibie at the same time made clear that Indonesia could neither indefinitely depend on the outside world nor on "the bamboo spears" to defend our interests as well as those of friendly countries investing in Indonesia.

According to the minister, in setting up the defence industry, there is a possibility of cooperation with Japan, as far as it can be allowed by the Japanese constitution. Indonesia has substantial manpower and rich natural resources while Japan has high technology and expertise. All of them can be harnessed to create peace and security, welfare and well-being for mankind, especially the peoples of Indonesia and Japan.

We must be strong in our defence. The present Israeli invasion of Lebanon is a good lesson for us. Without any defensive strength, Lebanon is at the mercy of the Israeli armed forces. Even other Arab countries cannot help Lebanon. We have to help ourselves by building a strong defence force which relies on our own defence industry.

Of course, it is not possible to produce all our defence requirements at home. But at least we should be able to make a target that eventually a major part of our defence requirements can be produced domestically.

Since the question is urgent and strategic, the government should immediately start planning the project. By the time we enter the fourth pelita this important project should already be well reflected in it. And also the GBHN [Garis-Garis Besar Haluan Negara-Broad state policy guidelines] to be formulated by the new MPR should give ample stress on defence industry. The government team of 11 assigned to complete the GBHN final draft should also take this defence aspect into full consideration.

CSO: 4220/246

GOVERNMENT RELUCTANT TO REDUCE RUBBER SUPPLY

BK141053 Jakarta ANTARA in English 1014 GMT 14 Jul 82

[Excerpt] Jakarta, 14 Jul (ANTARA)--Indonesia is reluctant to reduce its rubber supply to the international market as proposed by the Association of Natural Rubber Producing Countries (ANRPC) for the simple reason that a large portion of the production emanates from smallholders.

At its Kuala Lumpur meeting recently the ANRPC decided to withhold rubber supply to the world market as much as 350,000 tons for the duration of 6 months. This decision was intended to help the International Natural Rubber Organization (INRO) in keeping a bufferstock in order to be able to maintain price stability.

Sudjai Kartasasmita of the Agriculture Ministerial Staff for State Enterprises commented: Why should we lessen natural rubber supply to the market. We have our own calculations about it and this natural rubber is produced by smallholders. He explained that if the rubber farmers knew that prices would go down they were likely to cease tapping and find livelihood elsewhere. Any reduced supply is tantamount to reducing the income of very large number of rubber farmers, Sudjai said.

Indonesia's dehydrated rubber production in 1980 amounted to 1,013,283 tons and the greater part of it is from smallholders.

ANRPC's members include Malaysia, Singapore, Thailand, Indonesia, Sri Lanka and India. These six natural rubber producing countries are, according to plan, going to hold a meeting in Jakarta to carry out the decision of the Kuala Lumpur meeting. However, so far Indonesia has not reacted to the decision of making Jakarta the venue of the next conference.

Informed sources intimated that Indonesia might not be prepared as yet to host the next ANRPC's meeting due to its being much preoccupied with the coming session of the elected MPR (consultative assembly), a working meeting between the government and DPR (Parliament), while the current Ramadhan fasting month is also a factor to be reckoned with.

CSO: 4220/246

CAPITAL INFUSIONS HIGHER THAN OUTFLOW

Jakarta KOMPAS in Indonesian 4 Jun 82 pp 1, 12

[Article: "Ali Wardhana: Flight of Capital Overseas Still Not Alarming"]

[Text] The flight of capital overseas from Indonesia is not alarming. The fact is, a good deal of capital is still being transferred into this country despite the capital flight occurring.

Prof Ali Wardhana, finance minister, made this statement in a working meeting with parliament's Budgetary Commission. The working meeting was headed by Drs Soegandi and was held in the parliament building on Thursday [3 June].

"It is normal for capital to be transferred overseas because Indonesia has an open foreign exchange system," Ali Wardhana said. The minister then produced data which showed that more capital enters Indonesia than is transferred overseas.

In fiscal 1982 the net capital inflow, the difference between the amount of capital which enters Indonesia and the amount which is transferred overseas, shows that a higher amount of capital entered Indonesia, the difference being \$669 million. In the current fiscal year \$2.7 billion were transferred overseas to pay for services. Oil transactions are not included in these figures.

In the first 3 months of 1982, Wardhana said, that is from the end of fiscal 1982 into early fiscal 1983, the net capital inflow was higher than the net inflow for the entire 1982 fiscal year. In these first 3 months, the net inflow totaled \$860.5 million while for fiscal 1982 it was \$669 million.

The minister announced the figures for net capital inflow for the first 3 months of 1982 because there were many rumors during this period about large movements of capital overseas. The minister admitted that this was true, of course, but he explained that much more capital had come into the country.

The flight of capital overseas during the first 3 months of 1982 was due to rumors that there would be a devaluation (a drop in the value of the rupiah in relation to foreign currency) beginning in fiscal 1982. However, the fact is that there was no devaluation, and Minister Wardhana has guaranteed that there will be no devaluation this year.

"We, of course, see that there has been a sudden flareup in the transfer of capital overseas, but this is no cause for concern because much more capital is still flowing into the country," the finance minister said.

Minister Wardhana further stated that Indonesia still has an open foreign exchange system despite the risk of capital moving overseas. With an open foreign exchange system, individuals are free to come and go with foreign exchange. Businessmen, therefore, are not concerned about bringing capital into Indonesia.

The open foreign exchange system has been in effect since 1971. During these past 12 years the open system has proved to be better than the closed system which was in effect during the 20 years, 1950 to 1970.

The closed system apparently had a very great negative influence because prohibiting individuals from holding foreign exchange caused them to do so in secret. Those who wanted to hold foreign exchange rushed to deposit theirs overseas. Consequently Indonesian businessmen had bank accounts in Singapore or Hong Kong. Such deposits caused a shortage at home of foreign exchange gained from exports.

The more people hid their foreign exchange, the tighter became the supervision; and the tighter the supervision, the more people wanted foreign exchange.

Further, under this tighter supervision, several official foreign exchange rates were instituted for imports. The rate varied depending on what goods would be exported later. A black market rate different from the official rate surfaced later. This created a black market trade in foreign exchange. Supervision became increasingly difficult.

This tight foreign exchange system made it more difficult to import commodities and such commodities became scarce, creating shortages in needed goods. Consequently there was a great leap in the inflation rate.

"Everyone has benefited from the open foreign exchange system," Wardhana said. What's more, the government took another step forward in 1982 by dropping the requirement that holders of foreign exchange sell their holdings to the Bank Indonesia. Holders of foreign exchange may now keep their foreign exchange.

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CSO: 4213/66

GROWTH RATE EXCEEDS THAT OF MOST DEVELOPING NATIONS

Jakarta KOMPAS in Indonesian 2 Jun 82 p 2

[Article: "Ali Wardhana: World Economy Little Changed"]

[Excerpts] The world economic situation has not changed much since 1981 but some random improvements are evident.

The world economy generally is still in recession, and this has a wide-ranging effect not only on the Indonesian economy but also on the economies of other countries including countries undergoing development.

Finance Minister Ali Wardhana made these points at the working meeting with parliament's Budgetary Commission, headed by Drs Sugandi as Chairman, held in Jakarta on Tuesday [1 June].

The 1982 economic situation was marked by a very low rate of economic growth, a number of nations even experiencing a drop in their growth rates.

The average growth rate for industrial nations during this period (1981-82) ranged between 0.7 and 0.8 percent. It may rise to 2.5 percent in 1983.

The growth rate was also very low for developing nations which do not have their own oil resources. In 1980 it was 4.4 percent but in 1981 it dropped to 1.9 percent while in 1982 it is expected to rise to 3.4 percent.

In 1981 Indonesia recorded a growth rate of 8.2 percent, far above the average rate of only 1.9 percent for most other developing nations.

Minister Wardhana said the worldwide rate of inflation had dropped recently compared with rates for the past 7 years. The 1980 inflation rate for industrial nations averaged 8.5 percent; in 1981 it dropped to 8 percent, and in 1982 it is expected to drop further to 7.5 percent.

The inflation rate increased far more among OPEC nations. In 1980 it rose an average 24.2 percent; for 1981 it rose to 24.6 percent and in 1982 it is expected to rise to 36.6 percent.

"Compared with other oil-exporting nations, Indonesia's inflation rate put in a rather good performance; it was only 9 percent," the minister said.

"Oil-importing developing nations have the highest inflation rate. In 1980 it averaged 33.3 percent. It dropped in 1981 to 32.5 percent, and in 1982 it is expected to drop further to 28.1 percent," he observed.

The drop is due mainly to the very great interest the developing nations have in investing for their development. Because of their limited funds, they do this through deficit financing. These deficits raise prices.

Wardhana said OPEC nations had a surplus trade balance of \$3 billion in 1978; in 1980 it rose to \$115 billion.

However, because of worldwide energy conservation measures, the surplus is smaller. In 1981 it amounted to only \$71 billion, and it is estimated that it will drop further to \$25 billion in 1982. "However, they still have a surplus balance," he said.

The Indonesian trade balance for 1980-81 was rather encouraging, showing a \$2,736 billion surplus compared to 1979-80 when the surplus was \$1,690 billion.

The growth of Indonesia's foreign exchange reserves compared with those of other nations is still encouraging but admittedly they have dropped.

Indonesia's foreign exchange reserves totaled \$7,342 billion at the end of the 1981 fiscal year while for fiscal 1982, the minister said, because of a deficit balance of payments of \$828 million, foreign exchange reserves will settle at \$5,651.4 billion.

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CSO: 4213/66

LATEST EMPLOYMENT STATISTICS REVIEWED

Jakarta KOMPAS in Indonesian 4 Jun 82 p 12

[Article: "Only 60 Percent of Indonesia's Workers Have a Normal Work Day"]

[Excerpts] Only a little more than 60 percent of the labor force in Indonesia has a normal work day. Thirty-four percent are categorized as "semi-unemployed" workers, less than 2 percent are totally unemployed and 4 percent are unrecorded.

Based on a subsample of the 1980 population census (SP '80), the processing of which has just been completed, the labor force totals 52.1 million or 49.89 percent of the total population 10 years of age and over. The remainder, members of the population 10 years of age and over who are in school, those engaged in keeping house, and so on, are not considered part of the labor force.

The census defines those working a normal work day as workers who work 35 hours or more per week. A worker can be categorized as a normal worker if he works about 6 hours a day every day in the week.

The data show there are 31.6 million normal workers, broken down among the almost 14 million who work 35 to 44 hours a week, the 11.6 million who work between 45 and 59 hours a week, and the 5.99 million who work 60 hours or more a week.

Soegito, deputy statistical compiler for the Central Statistics Bureau (BPS), told KOMPAS that manpower, on the one hand, is a production factor which contributes to the gross domestic product (PDB). On the other hand, these people are human beings who desire spiritual and material development.

According to Soegito, the high percentage of workers categorized as semi-unemployed and the low percentage of totally unemployed are due to how easily individuals can be categorized as workers. The census defines a worker as a person 10 years of age or over who works at least 1 hour per day.

In the traditional sectors such as agriculture, it is difficult to determine who is unemployed. Because of seasonal factors, for instance, a person who

was unemployed in the previous week cannot be entered into the unemployed category if he is working at the time the census is taken.

According to the census semi-unemployed workers, or those who work less than 35 hours a week, comprise 34 percent of the labor force. More than half of the persons in this category work 10 to 24 hours a week.

The figure for totally unemployed workers, that is persons who do not work or who are seeking employment, is 1.76 percent. Figures for total unemployment differ for urban and rural areas. The percentage for total unemployment in urban areas is far higher than that for rural areas. Totally unemployed workers in the rural areas amount to 1.44 percent, for urban areas 3.7 percent of the labor force.

The high percentage for totally unemployed in the urban areas is due to the fact that there are many more formal work fields in the cities, and it is easier to determine who is employed and who is not.

An interesting fact revealed by the 1980 population census is the number of workers who are looking for another job. Of the 51.2 million workers, it appears that 7 percent still seek other employment.

Many reasons are put forward for this: the worker may not have the job he wants, feels his wages are too low or that he is not as well off as he could be, and various other reasons.

Even more interesting is the fact that workers most often seeking other positions are those categorized as normal workers. However, if everything is in proportion in a work situation, for instance, wages increase with seniority, job placement matches the worker's interests or training, and other factors, the job seekers fall more frequently into the semi-unemployed category.

An encouraging sign is also apparent in the data obtained; more than 59 percent of the workers do not feel they need to look for another job. It is doubtful that all are content with their jobs. They also might be well aware of how hard it is to find the position they really want.

A relatively small percentage of workers do not seek other jobs because they have lost hope, are in school, or because they are unable to do so. The percentage of those engaged in housekeeping is still large, more than 11 percent.

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CSO: 4213/66

AUTOMOTIVE WORKERS STRIKE

Jakarta KOMPAS in Indonesian 4 Jun 82 p 2

[Article: "Strike at PT German Motors"]

[Excerpt] Some 1,300 workers at the PT German Motor Manufacturing Company in Wanaherang Village, Gibinong (Bogor Regency), have been on strike for the past 10 days. They felt forced to make their protest against the management of the company which assembles the Mercedes Benz luxury car as it would not accede to the workers' demand for a wage increase.

Some of the striking workers told KOMPAS on Thursday [3 June] that the value of their wages declined as a result of the increase in the BBM (fuel oil) price early in January. Therefore, the workers, through the local labor union, submitted a demand for a 13 percent wage hike.

Apparently the company leadership did not care to accede to this demand. A member of the management merely said, "A wage adjustment to take into account the increase in the recent BBM price will be given consideration at the end of the year, in December."

Because their demand was not met, the workers have been on strike since 24 May. Since that time the PT German Motor management has issued several notices, the core of which is an ultimatum. For instance, Notice No. 022/V/Peng./82 firmly states: "Workers who stopped working as of 24 May 1982 and who rejected the first, second and third appeals to return to work, including the notice of 1 June 1982, are hereby considered to have resigned from PT German Motor."

To fill the vacancies left by the striking workers as of 1 June 1982, the company will take on workers in accordance with the entrance requirement for new personnel, that is, they are to complete a job application.

Workers who have left their jobs but who would like to return to work for PT German Motor may reapply for jobs and will be treated as new applicants in line with requirements set by the company.

The workers' resignations will be handled under the regulatory processes established under the labor law in force.

Striking workers feel that the leadership of the Maintenance, Machinery, and Assembling Labor Union (SB AMP/FBST) based in the PT German Motor Company are now siding with the company management. They offer as proof the fact that the union leadership signed the management's recent notice without prior consultation with the union's members.

Under Law No. 12 of 1964 PHK (severance) measures may be taken against labor only after the leadership of the company involved has submitted the matter to, and obtained the approval of, P4D or P4P (Regional or Central Committee for the Settlement of Labor Disputes). Prior to obtaining this approval, the company side and the workers involved must carry out their respective duties and responsibilities.

For the past 5 days the PT German Motor complex has been closely guarded by Indonesian police and Army units.

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CSO: 4213/66

INDONESIA

BRIEFS

MOKHTAR ON BORDER DISPUTES--Jakarta, 9 Jul (AFP)--Foreign Minister Mokhtar Kusumaatmadja today suggested that the controversy over alleged Indonesian incursions into Papua New Guinea (PNG) be settled by the joint commission specially set up by the two countries. "The commission has been entrusted to settle such problems," Mr Mokhtar told newsmen. He refused to confirm or deny reports that Indonesian troops had recently crossed the border between PNG and the Indonesian province of Irian Jaya in hot pursuit of separatist Irianese rebels who fled to PNG. "I do not want to sharpen such problems," he said. A PNG Foreign Office spokesman had spoken of several forays into Papua New Guinea by Indonesian troops last month, but Indonesia denied the charges. [Text] [BK090951 Hong Kong AFP in English 0924 GMT 9 Jul 82]

PORTUGAL DENIES TIMOR REFUGEES--Jakarta, 9 Jul (AFP)--Portugal has rejected Indonesia's request to accept refugees from its former colony of East Timor, Foreign Minister Mokhtar Kusumaatmadja said today. Indonesia had asked Portugal, through Holland, that Lisbon be willing to take in East Timorese refugees wishing to settle down there, Mr Mokhtar told a press conference. "But Portugal has stated it cannot accept them because it says it has been dealing with refugees from other places such as Mozambique," he said. Mr Mokhtar said he had discussed the Timorese refugees problem with the International Commission for the Red Cross (ICRC) in Geneva on his way home from Romania. "We do not want to mix humanitarian things with politics," he added. Mr Mokhtar refused to go into details but said the Indonesian Government could solve the problem. East Timor was incorporated into Indonesia in 1976 after a civil war which ended as pro-Jakarta forces invaded the colony. [Text] [BK090925 Hong Kong AFP in English 0848 GMT 9 Jul 82]

AIRBORNE EXERCISE REPORTED--Indonesian airborne troops staged a lightning exercise on one of the disputed Natuna Island group in the South China Sea. Part of this is claimed by Vietnam. An Air Force spokesman says the drill involved movements and tactics to capture an island from an enemy. The exercise follows the recent landing of armed Vietnamese refugees on the disputed island. They were detained by Indonesian authorities. [Text] [BK150907 Kuala Lumpur International Service in English 0800 GMT 15 Jul 82]

CSSR'S SUPPORT AT UN--Czechoslovak Ambassador to Indonesia Milan Koudelka said Indonesia could hold out the hope that his country will support Indonesia in future UN voting on the East Timor problem. This is in line with the fact that East Timor is the territory of the Republic of Indonesia, the more so that the people of East Timor took part in the recent 1982 general elections. The Czechoslovak ambassador stated this during an introductory meeting with the minister coordinator for political affairs and security, Maraden Panggabean, in Jakarta yesterday. Czechoslovakia has always abstained in UN voting on East Timor. Commenting on the ambassador's statement, Minister Panggabean welcomed the progress in the Czechoslovak attitude on the problem. Later, he briefed the ambassador on progress in the development of East Timor Province. The minister also welcomed the desire of Ambassador Koudelka to further promote trade and technological relations between Indonesia and Czechoslovakia. After receiving the Czechoslovak ambassador yesterday, Minister Panggabean also received the newly appointed Japanese ambassador to Indonesia, Toshio Yamazaki, who called on Panggabean. [Text] [BK151439 Jakarta Domestic Service in Indonesian 1200 GMT 15 Jul 82]

ANTARA REPORTS ON DROUGHT--Jakarta, 14 Jul (ANTARA)--Agriculture Ministry's Central Bimas [mass guidance for agricultural projects] control unit is currently monitoring the extent of ricefields throughout Indonesia which have run dry due to the long drought and its adverse effects on food production. Sources at the unit at Pasar Minggu told ANTARA Wednesday [14 July] that this situation might cause food production to decrease but still it would not affect the position of national food stock as a result of successful crops a few years ago. The unit is also making efforts to help the farmers overcome the situation, among others, by handling the post-harvest period. Up till now, they said, post-harvest losses of paddy are between 20 and 25 percent. The sources are unable to say yet how vast the dry season had affected the ricefields until the survey has been completed. According to reports received, nearly all arable land throughout Java had turned arid. Central Java Governor Supardjo Rustam has recently reported that in his province some 20,000 hectares of ricefields had suffered from the long drought. In West Java the figure runs about 5,000 hectares. [Text] [BK141223 Jakarta ANTARA in English 1057 GMT 14 Jul 82]

ENVOY TO PAPUA NEW GUINEA DIES--Jakarta, 17 Jul (AFP)--The Indonesian ambassador to Papua New Guinea, Maj Gen Abdul Aziz Bustam, died Friday [16 July] in Manila, the Foreign Ministry announced here. Aziz Bustam, 56, died after undergoing a kidney operation at the Manila Makati Medical Centre on 19 June. [BK181305 Hong Kong AFP in English 1135 GMT 17 Jul 82]

CSO: 4220/246

BRIEFS

AID AGREEMENT WITH SWEDEN--Sweden has signed a 2-year agreement with Laos for aid totaling 55 million kronor per year. The cooperation already begun in the forestry and lumber industry and in the area of transportation will continue. One third of the aid will be used for factory equipment and spare parts for maintenance of equipment used in these areas. About 15 million kronor will be used each year to support the import of building materials and simple farm equipment. SIDA (Swedish International Development Authority) estimates that 30 to 40 percent of the aid to Laos will be returned to Sweden through the purchase of Swedish goods and services. [Text] [Stockholm SVENSKA DAGBLADET in Swedish 30 May 82 p 6] 9336

CSO: 3109/182

PAPER ON SRV PARTIAL PULLOUT OFFER, CONCESSIONS

BK131117 Kuala Lumpur NEW STRAITS TIMES in English 9 Jul 82 p 18

[Editorial: "Heavy Load"]

[Text] "It is a burden for us," said Mr Nguyen Co Thach, Vietnam's foreign minister, in an interview last month, alluding to the costs of maintaining Vietnamese forces in Kampuchea. And the load is getting heavier. Imports have had to be reduced so that Vietnam can pay for the suddenly tripled price of Soviet oil. Vietnam has had to default on virtually all the interest due this year and last on its U.S.\$3.5 billion foreign debt, and as of February this year Vietnam's foreign currency reserves stand at zero. When Mr Nguyen Co Thach approached the EEC for economic aid he was told that assistance would be dependent on progress in Kampuchea.

There has been progress on Kampuchea, but not the kind to inspire hoorah speeches in Hanoi. The new coalition government of Democratic Kampuchea may be dismissed by the Vietnamese as of little consequence, and there may be no immediate change on the battlefield, but diplomatically Vietnam remains as isolated as ever, if not more so.

Vietnam's "gesture of good will" in withdrawing some of its troops in Kampuchea ignores the fact that the troops were there in the first place because of Vietnamese aggression. The other concessions all work to the advantage of the Vietnamese. The establishment of a demilitarised zone on the Thai-Kampuchean border is made dependent on the eviction of anti-Vietnamese forces from the area. The agreement to an international conference on peace in Southeast Asia would necessitate the de facto recognition of the Heng Samrin regime. It is the same old bag of goods in slightly new packaging. No sale. When Mr Nguyen Co Thach comes calling on ASEAN later this month there will be no change in ASEAN's response. Not until Vietnam accepts the principle that Kampuchians must decide their own destiny free of gun-point persuasion.

CSO: 4220/246

KUALA LUMPUR ON SRV TROOP WITHDRAWAL OFFER

BK091121 Kuala Lumpur International Service in English 0800 GMT 9 Jul 82

[Unattributed commentary]

[Text] Vietnam's foreign minister, Mr Nguyen Co Thach, announced on Wednesday [7 July] that his country would withdraw a significant number of troops from Kampuchea coupled with the proposal for an international conference on Southeast Asia. On the surface of it, these announcements are most welcome and appear as an unbending of the stiff stand that Vietnam has taken up to now. However, as any follower of the Kampuchean crisis knows well, the promise of a withdrawal of Vietnamese troops has been made many times before. Again, Mr Thach in his announcement indicated that he hoped that Thailand would make a positive response to this first step, the positive response being that Thailand does not allow the Kampuchean guerrillas to use Thai territory to launch hostilities.

ASEAN's response to this will decidedly be cautious, for in his statement, Thach has left many questions unanswered. First of all, what figure does he consider significant. Secondly, how many troops are there in Kampuchea at the moment and has that figure been verified or can they make provisions for the verification of the number of troops in Kampuchea. Thirdly and equally important, they have not mentioned whether they are going to allow the international community to observe this withdrawal.

Thach's announcement for the holding of an international conference on the Kampuchean issue appears to be a shift from its original insistence that the issue should be discussed at a regional conference excluding powers outside Southeast Asia. This is in truth a shift and while it is a welcome shift, a certain measure of caution has to come into play. Vietnam and their Soviet allies boycotted the international conference by the efforts of the ASEAN countries last year [sentence as heard]. Now, she comes up with the same proposal. But, as it stands, this proposal would imply a de facto recognition of the Heng Samrin regime. This is unacceptable as the ASEAN stand on the issue has been based on the principle that the people of Kampuchea should be the ones to decide what the government should be and such a decision can only be reached if all foreign troops are withdrawn from Kampuchea and the people of that unhappy country are permitted under free internationally supervised elections to indicate their choice.

It is interesting to note that this flurry of announcements came out from Hanoi soon after the formation of the coalition agreement arrived at in Kuala Lumpur by Son Sann, Khieu Samphan and Prince Sihanouk.

It is also interesting to consider that another reason for this proposed pact could arise out of the economic problems facing the Vietnamese Government. The costs of upkeeping the troops in Kampuchea have played havoc with Hanoi's economy and their attempts to get only assistance from the EEC has failed.

On the other hand, they are seeing at this point of time the assistance that is being offered the coalition. Vietnam, because of Kampuchea has been isolated and this isolation has brought harm to her economy. The Soviet bloc allies are in no position to offer aid other than in words, because they themselves are facing economic problems.

Vietnam is certainly finding out through the hard way that in her own interest, she cannot afford to tow the hard line and that small countries should not attempt to play big power games.

CSO: 4220/246

GHAZALI ON OUTCOME OF EUROPEAN TOUR

BK161358 Kuala Lumpur Domestic Service in English 1130 GMT 16 Jul 82

[Text] ASEAN has initiated moves to enable Democratic Kampuchea to regain its seat in the nonaligned movement. Its seat was suspended during the last conference in Cuba.

The minister of foreign affairs, Tan Sri Ghazali Shafie, told a news conference in Kuala Lumpur that he held talks with Yugoslav leaders on this subject during his recent visit to Europe. The minister also explained to European leaders that neither China or Pol Pot were involved in the newly established government of Democratic Kampuchea. ASEAN was not interested in the reemergence of Pol Pot and China's involvement was contrary to the role of peace, freedom and neutrality concept.

Tan Sri Ghazali held talks with a number of East European and West German leaders. He also met the British prime minister, Mrs Margaret Thatcher. He explained to them that the establishment of the government reflected the desire to solve a political solution to the Kampuchean issue instead of a military solution. Arms were needed by the government of Democratic Kampuchea to balance the strength of the non-Khmer Rouge groups with the Khmer Rouge faction.

On the visit by the Vietnamese foreign minister, Nguyen Co Thach, to Malaysia from the 25th of this month, the minister said he will listen to what Mr Thach has to offer.

On the reported withdrawal of Vietnamese forces from Kampuchea, Tan Sri Ghazali says nothing short of the complete withdrawal could lead to the full implementation of the resolution of the International Conference on Kampuchea. He also says that it is not necessary to hold another conference as suggested by Vietnam as this will only confuse matters. A neutral and nonaligned Kampuchea can remove whatever threat Vietnam faces from China.

Tan Sri Ghazali left for Bangkok this evening to explain to the Thai foreign minister, Mr Sitthi Sawetsila, on the outcome of his visit. He will also meet the Austrian foreign minister, Mr Willibald Pahr, who is also the chairman of the International Conference on Kampuchea.

CSO: 4220/246

BRIEFS

CALL FOR MUSLIMS TO UNITE--Datuk Sri Dr Mahathir Mohamed has called on Muslims throughout the world to practice the real Islamic way of life. This encourages Muslims to be united and to help each other. He is disappointed that there are Muslims who acknowledge Islam as their way of life but what they act through their practice is not in line with it. The prime minister was speaking to the people in the state of Kedah. He cites the present turmoil in West Asia as a good example of Muslim disarray. When they should be united in facing the common enemy, they are squabbling among themselves. The prime minister regrets the attitude of some Muslim countries for failing to come to the aid of the Palestinians. This is also clearly reflected in the failure of convening the Arab summit meeting of the Organization of Islamic Countries to discuss the situation in Lebanon. He reminds Muslims in the country not to depend on the government but to show resilience through their own initiatives. [Text] [BK170855 Kuala Lumpur International Service in English 0600 GMT 17 Jul 82]

'CONSERVATIVE' BUDGET FOR 1983--Kuala Lumpur, 13 Jul (AFP)--The Malaysian Government will adopt a conservative budget for next year, balancing income with expenditure, Prime Minister Mahathir Mohamed said tonight. He said the government felt it was not the time to stimulate the economy with an expansionary budget, with the world economy not expected to recover quickly from the current recession. Dr Mahathir said in a panel interview on television that if the government were to adopt an expansionary budget now, it would have to borrow a lot of money, which would drain its foreign exchange and lead to higher interest rates and reduced investments. The 1983 budget will come before Parliament in October. [Text] [BK131431 Hong Kong AFP in English 1234 GMT 13 Jul 82]

MAHATHIR ON NEW FOREIGN POLICY--The government is considering budgeting for real expenses only. Datuk Sri Dr Mahathir Mohamed says it has been found that in the past there was a tendency to over budget. The result is that they will lead to supplementary budgets. But when the accounting is done at the end of the year, it is found that what it spent is really less than originally budgeted for. The prime minister made the statement in a special interview with newsmen on the occasion of its first anniversary in office, which falls tomorrow. Datuk Sri Dr Mahathir said the shift in the foreign policy emphasis introduced by the government 1 year ago is beginning to show some positive results. Malaysia now knows more people more intimately and converses with them. He feels that the foreign policy mapped out is

good for Malaysia as it is a much more positive policy. Under the new emphasis, relations with other countries are conducted according to the order of priorities, with ASEAN countries being on top of the list. This was followed by the Islamic countries, the nonaligned nations and the commonwealth. In addition, greater emphasis is also being made on establishing bilateral relations with newly independent nations, such as those in the Pacific. [Excerpts] [BK151353 Kuala Lumpur Domestic Service in English 1130 GMT 15 Jul 82]

CSO: 4220/246

NEW CALEDONIA

STRIKE LOOMS IN NEW CALEDONIA INDEPENDENCE QUARREL

BK211154 Hong Kong AFP in English 1014 GMT 21 Jul 82

[Text] Noumea, New Caledonia, 21 Jul (AFP)--A general strike has been called for tomorrow to demand dissolution of the 36-seat territorial assembly in this French Pacific territory, which has had a majority of pro-independence members since 18 June--and a simmering independence issue since 1979.

The strike has been called by the anti-independence "Committee to Defend the Institutions," which said in a communique the strike would "say no to the social-communist government takeover of our destiny by ruling by decrees." But it has been opposed by a number of political and trade union groups as a veritable war of communiques has erupted.

The independence issue has been simmering since a 1979 statute granted a measure of autonomy to this nickel-rich island, 700 miles east of Australia. It has 160,000 inhabitants, mainly divided between 60,000 Melanesians, or "Canaques," and 50,000 Europeans. State affairs are administered by the High Commissioner, and territorial affairs by a seven-seat Council of Government and the 36-strong territorial assembly.

The High Commissioner's office yesterday warned the "anti-independence" committee that "appeals for a politically-motivated strike tended to put pressure on the assembly and prevent the functioning of the institutions." The Council of Government also issued a statement calling on workers to ignore the strike call.

There are four pro-independence members of the seven-member council, giving them a majority. It urged workers to ignore "extreme-right organizations grouped under the misleading name of 'Committee to Defend the Institutions.'"

But the "Rally for Caledonia in the (French) Republic" (RPCR) has come out in support of the strike, which will include demonstrations here and in the main towns, and has asked its followers to take part in force. RPCR leaders called on party members to "show our presence and our wish to remain French."

The newly formed Caledonian National Party (PNC), a breakaway party formed by former RPCR militants, while agreeing with the RPCR, said that "our participation should not appear to be support for any particular party."

The centrist "Federation for a New Caledonian Society" (FNSC) for its part opposed the strike, and the "New Caledonia Socialist Party" (PSNC) called on workers to ignore the strike call "provoked by agitators."

The "New Caledonian Workers Union" (USOENC) also called on its members to ignore the strike call, which it claimed was organised by "reactionary forces."

Meanwhile Jacques Lafleur, former French National Assembly deputy for Western Noumea, said on his arrival here today that he would take part in Thursday's demonstrations, but stipulated they must remain non-violent.

CSO: 4220/246

NEW CALEDONIA

BRIEFS

INDEPENDENCE LEADER SEEKS PNG SUPPORT--Port Moresby, 13 Jul (AFP)--New Caledonian independence leader, Yann Celene Uregei is in Port Moresby to seek support from the Papua New Guinea [PNG] Government for the New Caledonian Islands to be placed on the United Nations list of non-self-governing territories. This would force France to report regularly to the United Nations on its programme for decolonisation. Mr Uregei, a member of the newly elected territorial assembly that now leans towards independence, is also seeking the PNG Government's acknowledgment of the independence front as the legitimate representative body of the kanak, or indigenous people. He is also telling the PNG Government that whatever social and economic reforms are planned by the French Government, they will be unable to satisfy the kanaks' ultimate aspiration for independence. He is planning to make these points informally, at a dinner tonight with Foreign Minister Noel Levi. Mr Uregei can expect support, as he has had on previous trips to Port Moresby, from whichever parties are in power when PNG's new Parliament elects its new government on 2 August. Mr Uregei's visit comes only 4 weeks before the annual meeting of the South Pacific forum, this year in New Zealand, when decolonisation of the French Pacific territories, and French nuclear testing in the Pacific, are again expected to top the agenda. [Text] [BK130953 Hong Kong AFP in English 0857 GMT 13 Jul 82]

CSO: 4220/246

DEAL BETWEEN NATIONAL, SOCIAL CREDIT PARTIES

BK131317 Hong Kong AFP in English 1108 GMT 13 Jul 82

[Text] Wellington, 13 Jul (AFP)--A compromise deal between New Zealand's governing national party and an opposition party with only two seats in Parliament will allow a \$650 million hydroelectric power project to proceed.

The deal allows the government to continue constructing preliminary works at the project, threatened when one of its own MP's vowed to vote against special legislation for the scheme.

The defection meant the government had lost its one vote majority in the country's Parliament.

But today's proposal from Social Credit Leader Bruce Beetham and his one other MP allowed Prime Minister Robert Muldoon's government to proceed with construction of the dam on the Clutha River on the South Island. Mr Muldoon said the plan needed only New Zealand's auditor-general's approval for the work to go ahead without disruption.

Social Credit Leader Bruce Beetham later said he was surprised the government had accepted his plan. "I hadn't thought our chances of success were that high," he told newsmen after the agreement was reached.

The deal is the first major compromise forced on the Muldoon government since it returned to power with a slim one vote margin in Parliament after last November's election.

Without the deal, the government would have been forced to defer the project and lay off the 600 strong workforce.

Among the concessions won by Social Credit from the Muldoon government was agreement to sell all electric power from the dam at no less than current ruling market prices.

Observers said the move could hinder plans by the government and a consortium (including French aluminium producer Pechiney and Australia's Gove (aluminium)) to build an aluminium smelter using low cost hydroelectric power from the Clutha project.

CSO: 4220/246

DISPARITY AMONG CLASSES BLAMED ON PAKISTAN'S RULERS, ECONOMIC SYSTEM

Karachi JANG in Urdu 28 Jun 82 p 3

[Article by Anis Hashmi: "The Present Economic System"]

[Text] Come, let us talk about our country, that is, about its internal situation. From the time of Muhammad Ali Jinnah and Liaqat Ali Khan down to the present rulers, all those who have sat on the seat of power have used all the available means of communication in the country to glorify the works of their own government. The nature of their statements has been something like, "We have tried to make the country such that, as a poet of the Mughal Emperor Shah Jahan once said, 'If there is a heaven on earth, it is here, it is here, it is here.'" That, my respected friends, has been their claim. Now let us presume to look at the truth.

1. 1,000,000 families in our country are composed of such of God's creatures as have no land whatsoever. Such people are called "menials" in Punjabi.
2. 2,750,000 families in our country have agricultural plots of only 2 to 6 or 7 acres. These agricultural lands are absolutely insufficient for their subsistence.
3. 2,200,000 families in our country are tillers and cultivators who cultivate the land of large landholders on a sharecropping basis. Although by law their share is 1/2 the crop, in fact their share rarely exceeds 1/3 of the crop.
4. There are also 700,000 to 800,000 families of laborers who work in factories. This number includes those who work in such industries as the railways and WAPDA.
5. The urban population in our country has greatly increased. The percentage of people now living in cities is nearly 32 percent, which means there are nearly 25,000,000 people living in our cities. Of this 25,000,000 nearly 10,000,000 pass the days and nights of their lives in substandard housing with neither water nor any arrangement for the disposal of garbage.
6. Because there is no employment available within the country, 3,500,000 souls are forced to become expatriates and try their luck at earning their

bread under very difficult conditions. The helpless state of those seeking work in our brother neighboring Islamic countries is very distressing.

7. Looking at past governments, one of the accomplishments credited to the Yahya Khan government is that he contracted the Pakistan composed of East and West Pakistan to just Pakistan. Now East Pakistan is Bangladesh and only West Pakistan is called Pakistan.

This is one side of the picture. Let us consider the other side as well.

3000 to 4000 families in our country are landlords who hold 50 percent of the arable land. This list includes both those gentlemen who received various privileges during the British era and the civil and military bureaucrats from the period after Independence. These gentlemen fall into the category of those for whom, as Ghalib said, "luxury was invented." There are a few industrial families in our country whose number, according to Dr Mahbul-ul-Haq, is 22.

There are approximately 600,000 to 700,000 souls in our country who pay income tax. As you know, income tax is paid on income which exceeds 12,000 rupees a year.

This, very briefly, is the condition of the masses of people of our beloved country. If for the sake of convenience you add together the 1,000,000 families with no land, the 2,750,000 families who own only a small portion of land, the 2,200,000 families of tillers and cultivators, the 700,000 to 800,000 families who are laborers in factories, and the 10,000,000 souls who live in substandard housing in cities, you will know the number of the lowest level of the deprived class in our country. According to our calculations this number is more than 50,000,000.

Respected brothers, to us, the reason for this dark picture is that after Independence our rulers kept the economic and material order established by the British just as it was, and considered any change in it tantamount to sacrilege. In international trade too, they attached themselves to the Western capitalist countries and declared it to be blasphemy to trade with the non-capitalist countries of the world. We know this much, if there were enough strength in this economic order established by the British to provide food for God's creatures living on this corner of the earth, the brave Englishmen would never have let this "golden sparrow" go free. Thus the best thing we could do for God's creatures in our beloved country would be to fundamentally change the present economic system. We can get an idea of what these changes should be from a neighboring country which is both Arab and Islamic. Let us look at South Yemen. In just 10 years they have freed their population from both ignorance and unemployment. In August, 1982, we will complete 35 years of independence, but we have taught only 18 percent of our population to read and write, and the state of our unemployment is hidden from no one. Despite pushing 3,500,000 workers out of the country, God's truth is God's truth. According to a report from the World Bank, half the population in our country is living on the brink of starvation. Another misfortune afflicting our country is that since Independence, no matter who has sat upon the seat of

power, none of them has ever bestowed freedom to the newspapers nor given the people the right to meet and freely discuss their problems and search for some solution to them. As a result, on the one hand there is usually found a mood of indifference in the populace, and on the other hand (forgive our audacity), there has not yet appeared among the ruling class any defender of the faith with both mature vision and sympathy for God's creatures in his heart. The lifespan of the founder of our nation, Muhammad Ali Jinnah, was too short, and Liaqat Ali Khan fell prey to the conspiracies of government servants. After that, praise be to God, we had one great mischief maker after another. Ghulam Muhammad, Iskander Mirza, who all shall we name, each greater than the last, by God's grace. The cruel irony is that these gentlemen neither understood nor tried to understand the problems of the present world. The entire responsibility for our country, which is a prey to difficulties on every side, is on these gentlemen who have been ruling without any outside interference for 35 years, and on the economic system they maintain. It is the job of the people of Pakistan to decide how they may escape this economic system which is responsible for their helpless condition, and open the doors of progress.

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CSO: 4203/152

PHILIPPINES

WORLD BANK URGES REDUCED GOVERNMENT EXPOSURE IN STATE FIRMS

Manila PHILIPPINES DAILY EXPRESS in English 9 Jul 82 p 9

[Article by Resty Perez]

[Text] The World Bank has asked the Philippine government to reduce its equity exposure in state-owned companies with "low degrees of cost recovery."

Instead, the Bank advised government officials to channel more funds to other sectors such as health, education and the development of the countryside.

The World Bank is one of the country's best sources of cheap funds which the government uses to finance major development projects.

According to WB official Shahid Husain, who chaired the WB consultative group meeting on the Philippines in Tokyo last month, the allocation of more funds to these sectors will help balance the distribution of government funds.

From 1978 to 1981, the government pumped in some P14.3 billion into state-owned corporations.

Last year alone, the National Development Co. (NDC) got P2 billion in fresh equity, an amount equal to the budget of the Ministry of Health this year.

As a result, the government is expected to limit fresh capital infusion only to foreign-assisted projects which require local counterpart financing or to the budgetary needs of the 11 major industrial projects.

It was also noted that government investments in state-owned or controlled enterprises have been rising from the equivalent of three percent of the gross national product in 1978 to five percent of GNP last year.

Partly as a result of the Bank's observations, the government is now trying to trim the number of government-owned or controlled corporations.

The restructuring of the government corporate set-up is now the subject of a study by the Special Presidential Reorganization Commission headed by President Marcos himself.

There are at present about 92 government holding companies and more than a hundred subsidiaries. The plan is to reduce their number by about one half, mostly through mergers of companies with similar or related functions.

CSO: 4220/239

MANILA PAPER ON REPAYMENT OF FOREIGN LOANS

HK190411 Manila BULLETIN TODAY in English 14 Jul 82 p 6

[Editorial: "What's Done With the Loans"]

[Text] In MBS Channel 4's network line Minister Placido Mapa, Jr. was asked about the country's ability to repay its foreign loans. Minister Mapa replied the ability to repay depends on how the loan proceeds are used. If the money is squandered the obligations cannot be met. He said the loan proceeds are being spent on such things as irrigation projects which harness energy and irrigate agricultural lands. Consequently, the additional output created by the projects will enable the country to repay its foreign obligations.

That is the simplest way to answer the question that has been nagging the minds of many people who have showed concern for the large foreign debt, which to date stands at about \$15 billion.

The debt service is just one of several considerations. Others are production and employment and raising the "quality of life" of the people.

In a situation where the inadequacy of resources is admitted, foreign borrowing, resorted to not for the purpose of meeting the day-to-day expenses of the government but for the purpose of higher productive capacity, enables the country to steer away from an economic deadend.

We can imagine for instance, what would happen if borrowing were not resorted to in order to lessen dependence on imported energy by pursuing a comprehensive energy program.

It is noted that while government borrowing is put to good use the law sets a ceiling on external obligations. That serves the purpose of a safety net.

CSO: 4220/246

PHILIPPINES

NO NPA THREAT IN CEBU

Manila BULLETIN TODAY in English 13 Jul 82 p 18

[Article by Jen L. Jorvina]

[Text] Camp Sergio Osmena, Cebu City--The regional PC command said here today that the peace and order situation in their areas of responsibility is definitely under control despite the reported sighting of armed band earlier tagged as members of the New People's Army (NPA) in this province.

Brig. Gen. Alfredo S. Olano, PC-INP regional commander for region 7, said he had dispatched a team to verify the presence of armed group which was reportedly seen in barangay Maghan-ay, Balamban, this province.

Olano said that a group led by a certain Regino Laurente, alias "Kumander Manu," was encountered by PC troopers under 1st Lt. Lani-o Neres in barangay Maghan-ay which resulted in the killing of Laurente's assistant, identified as Moises Adong, and the capture of seven members.

He said that Laurente's group did not belong to the NPA's as reported but mere bandits riding under the name of NPA's and harassing people in far-flung barangays.

Olano however said that a certain Kumander "Dexter," with a lady companion, was conducting teach-ins and recruitment activities in the towns of Argao, Asturias, Balamban, Compostela, Dalaguito and Tuburan.

Meanwhile, the Cebu PC command headed by Lt. Col. Leandro Mendoza, Major Pastor-fide, P/Col. Burden, P/Col. Tumakay, 1st Lt. Carlito Dimaano and Capt. Gerry Barias, 344th commanding officer, conducted a pulong-pulong sa barangays together with the sangguniang panglunsod and panlalawigan in Toledo city.

CSO: 4220/239

SECESSION DEMAND 'CANNOT SUCCEED'

HK150147 Manila BULLETIN TODAY in English 13 Jul 82 p 8

[Report by Nelly Sindayen: "Why Secession Demand Cannot Succeed"]

[Text] The Moro National Liberation Front's demand for secession will not succeed at this time because of realities in Southeast Asia and the Islamic world. Asiri Abubakar, a professor at the University of the Philippines' Asian and Islamic Studies, said this in a lecture before Asian journalists sponsored by the Press Foundation of Asia.

The realities in the Association of Southeast Asian Nations (ASEAN) and the Arab world make the idea of secession "not very attractive," Abubakar said.

Even neighboring ASEAN Muslim countries like Indonesia and Malaysia will block the MNLF's secession move because these countries have their own unhappy secession experiences, the UP professor said.

If the MNLF insists on its maximum demand which is secession or independence, it will end up having "more enemies than friends" even among Muslims in Indonesia and Malaysia, the Tausug academician pointed out.

Opposition will come not only from the ASEAN or regional grouping but also from the Islamic world, chiefly because the latter is "dominated by conservative leaders," said the UP professor. "You cannot talk to them about revolution. You will not be encouraged, you will not be entertained... Many Arab leaders just look at their wealth--not at Palestine and not at the cause of Islam," said Abubakar.

Abubakar also pointed out that the MNLF's demand for secession has been viewed as a ploy to strengthen its bargaining position. "Maximum demand (of the MNLF) is secession while the minimum demand is autonomy," he said.

The MNLF's struggle, according to Abubakar, stems from an effort to establish "political unity" among the southern Muslim communities, a unity which, Abubakar said, past leaders like even Sultan Kudarat failed to achieve because such efforts had always been blocked.

He said the Mindanao has always been traditionally ruled not just by one sultanate but by several. Apart from the Sulu Sultanate, there were also the Maguindanao Sultanate and the several sultanates of Lanao.

CSO: 4220/246

HUMAN RIGHTS ORGANIZATION IN LEYTE

Manila BULLETIN TODAY in English 13 Jul 82 p 27

[Article by Ruben Oliver Ensoy]

[Text]

People of Leyte are expected to be more vigilant of their civil liberties and human rights with the recent organization of the Leyte chapter of the IBP Human Rights commission.

Lawyer Aurelio D. Menzon, president of the Leyte IBP chapter and chairman of the Human Rights commission, Leyte chapter, said the purpose of the commission is to protect the human rights and the constitutional liberties of the people

from the abuses of civil and military officials. The chapter also intends to implement the provisions of the charter of the United Nations on human rights.

The complaints and screening committee is chaired by lawyer Victor Veloso with Lulu Palencia and Menzon as members.

Fr. Noel Gartland is the chairman of the research and study committee, with lawyers Hermogenes Teves and Eduardo Polistico, as members.

Justice J.B.L. Reyes is the national chairman of

the Human Rights commission.

Menzon said: "Without asking for help from the national government, we will try to solve our human rights problems by conducting dialogues with chiefs of offices and military commanders."

Teves said that the Leyte chapter of the commission does not expect to solve military and government abuses, but its existence would be a deterrent, more or less, to the excesses of government elements in the province and in Samar. Menzon and Teves are both from Samar.

CSO: 4220/239

DISSIDENTS SLAIN IN NEGROS OCCIDENTAL

Manila BULLETIN TODAY in English 13 Jul 82 p 28

[Text]

Two New People's Army men were slain in an encounter in Negros Occidental while 18 others surrendered Thursday in Quezon, a belated report reaching Camp Aguinaldo disclosed yesterday.

Slain in sitio Bantolinao, barangay Asia, Hinobaan, Negros Occidental, were Diego Aguanta, alias Molly; and Gerry Estoconing, alias Pandak.

The two were part of a 16-man NPA group which fought for an hour two teams of the 711th Constabulary company under First Lieutenant Torreon and a certain Staff Sergeant Melecio.

PC authorities said the group was responsible for the killing of Pat. Graciano Trembevilla of the Hinobaan police last May 10.

Recovered from the slain dissidents were one homemade .38-caliber revolver, a fragmentation grenade, two jungle

knives, and ammunition.

Two barangay officials and four civilians were slain in separate incidents in Albay and Sultan Kudarat over the weekend, the Constabulary reported yesterday.

A report reaching Camp Aguinaldo said that in Albay, barangay captain Vicente Balmaceda and ex-barangay captain Moises Relato were kidnaped Tuesday from their houses in barangay Natsan, Libon, by seven unidentified armed men and then slain.

Motive for the kidnap-slaying was not immediately known.

In barangay Tibuhol, Palembang, barangay councilman Alipio Guiera and three members of his family were murdered Monday, inside their house, a PC report said.

The names of the three slain members of Guiera's family were not mentioned in the report.

BARANGAY CAPTAINS, OTHERS SLAIN

Manila PHILIPPINES DAILY EXPRESS in English 13 Jul 82 pp 1, 7

[Text]

ELEVEN PERSONS, including two barangay officials and a rebel commander, were killed in separate incidents last week.

The first fatalities were Barangay Councilman Alipio Guira and three members of his family who were massacred Monday inside their house in Sultan Kudarat by armed men identified with the Moro National Liberation Front.

Investigators from the PC Region 12 command found the bodies of the victims riddled with bullets.

* * *

THE FOLLOWING day, Barangay Captain Vicente Balmaceda and former Barangay Captain Moises Relato of Albay were kidnaped by seven armed men from their homes in barangay Natsan, Libon town.

Their bodies were later found with bullet wounds at a nearby sitio.

Investigators said Balmaceda and Relato could be liquidated by dissidents.

Last Thursday, a rebel commander and his aide were killed in an encounter with members of the 711th PC company in sitio Bantolinao at Barangay Asia in Hinobaan, Negros Occidental.

The two were reportedly members of a 16-man rebel band encountered

by two PC teams.

They were identified as Diego Aguanta, alias Molly, leader of the rebel group, and Gerry Estoconing, alias Pandak.

Investigators said Aguanta's group was behind the killing of Pat. Graciano Trembevilla of the Hinobaan police last May 10.

Recovered from the slain rebels were a .38 caliber revolver, a grenade, two jungle knives and assorted bullets.

ALSO LAST Thursday, two MNLF men and a suspect in the kidnap of Deborah Simon were killed in separate encounters in Sulu and Cotabato City.

In the Sulu clash, the fatalities were identified as Ladjahasan Ibah and Arased Jailiddi, who were reportedly operating under MNLF leaders Habib Adjabi Dasid, Manahuddin Kalimuddin and Madangan Ayuan.

A government trooper was wounded in the Sulu encounter. He was Mamad Santisan of the Civilian Home Defense Force.

Constabulary troopers killed Esmael Bagulong, alias Commander Mas Bucan, at barangay Katuli. Bagulong, a suspect in the kidnap of Deborah Simon last March, was also linked to the grenade-throwing incident in Pagadian City.

AUSTRALIA OFFERS TO SUPPLY WHEAT

Manila BULLETIN TODAY in English 13 Jul 82 p 8

[Text]

MANILA INTERNATIONAL AIRPORT, July 12 — Australia announced its willingness to supply the Philippines some of its wheat requirements but expressed disappointment over the current Philippine meat buying procedure.

This was disclosed in a joint communique issued by the Business Cooperation Committees of Australia and the Philippines after their eighth joint meeting in Brisbane last July 6-7.

Twenty delegates, led by Victor A. Lim, chairman of the Philippines-Australia Business Cooperative Committee, and Jose F. Lumban, executive director of Philippine Chamber of Commerce and Industry, attended the meeting along with 36 Australians led by J.H. Holberton, chairman of the Joint

Meeting.

The meeting was opened by Queensland Minister for Education, W. A.M. Gunn, MLA.

Philippine Ambassador to Australia Monico R. Vicente welcomed the delegates while Australia's Deputy Prime Minister for Trade and Resources, J.D. Anthony, MP, in his message referred to the importance of business in ensuring the flow of trade between the two countries.

Lim, who arrived with a group last night said the Philippines would be the venue of the ninth PABCC to be held next year.

On wheat exports to the Philippines, Lumban said that the Australian had assured them that the price would be definitely competitive with that of the United States, the country's tradition-

al supplier.

However, Lumban said that under US Public Law 480, competing suppliers have to reckon with the US policy of offering most liberal terms to wheat buyers under reasonable arrangements on long-term basis.

On investments, both delegations agreed to encourage further Australian investment in the Philippines.

Both side also expressed support for the efforts of the inter-agency committee led by the Philippine Board of Investments to establish a "one-stop facility" for new investments and on-going business.

Deputy Minister for Industry Edgardo L. Tordesillas is scheduled to visit Australia Aug. 9-12 to discuss investment opportunities with Australian companies. (CCR)

CSO: 4220/299

LOAN SOUGHT FOR RUBBER INDUSTRY

Manila PHILIPPINES DAILY EXPRESS in English 13 Jul 82 p 3

[Text]

THE PHILIPPINE government is finalizing negotiations with the World Bank for a \$60-million loan to finance its five-year rubber development project.

Director Domingo F. Panganiban of the Bureau of Plant Industry, concurrently assistant secretary for crops of the Ministry of Agriculture, will leave for Washington D.C. tomorrow to finalize talks with World Bank officials.

Panganiban said at least 45,000 hectares will be available for on-farm development of rubber. Small farms having an area of less than 10 hectares are expected to account for about 10,000 hectares of the total project area under 2,700 subloans.

The largest part of the project will be comprised of medium-sized farms of 10-40 hectares covering a total of 21,000 hectares under about 1,400 subloans. Large-size farms of over 40 hectares planted to rubber are expected to cover about 10,000 hectares under about 170 subloans.

The World Bank report said that some 500 farmers already tapping rubber would obtain subloans for on-farm processing equipment, comprising mainly of hand rollers and coagulating tanks for making rubber sheets.

The project would also seek to meet the on-farm credit needs for the establishment of settlers within the project area — EMS

CSO: 4220/239

PHILIPPINES TO IMPORT POLISH COAL

Manila BULLETIN TODAY in English 13 Jul 82 p 12

[Text]

The Polish People's Republic is being eyed by the Philippine government for the supply of imported coal which will be used to meet the shortfall in local production.

The Ministry of Trade and Industry said yesterday that the possible supply of coal from Poland is being negotiated through a barter scheme where the Philippines will, in turn, supply Philippine products.

A source from the

National Coal authority, a government entity authorized to deal with coal importations, said yesterday that the arrangement is still being finalized.

The country looks to Australia as its source for coal importations. Canada and China are also being tapped to supply the coal requirements of the power and cement industries.

A three-man mission from the Polish Repub-

lic arrived in Manila last June 30 for discussions with Philippine International Trading Corp. (PITC) on possible cooperation for the expansion of trade between the two countries.

The mission, received by Mr. Tadeuz Grzybowski who is the charge d'affaires and commercial counsellor of Poland, was headed by Jerry Mitoraz, director of the ministry of foreign trade, with

Zdzislaw Walkowicz, deputy commercial director of Wegloloeks Foreign Trade Enterprise, and Jaroslaw Ruozowski, also of Wegloloeks.

Wegloloeks is Poland's state trading enterprise that deals with hard coal, power gas and coking coal.

The ministry said Poland is one of the world's major producers of coal with an annual output of 160 million metric tons.

CSO: 4220/239

PHILIPPINES

BRIEFS

FIVE MNLF COMMANDERS SURRENDER--Five MNLF commanders surrendered to General Ramos yesterday in Camp (Parang), Maguindanao. The commanders identified themselves as Commanders (Dima Agnagao), (Adbul Kahir Musuakat), (Bara Mascut), (Esmayar Mascut) and (Lori Bagar). They yielded two carbines, one garand rifle, and M-79 grenade launcher and two (?apple) grenades. Also at Camp (Parang) yesterday, General Ramos decorated 10 PC (?RNP) officers and men for outstanding feats in the Mindanao pacification campaign. [Text] [OW161325 Quezon City RPN Television Network in English 1100 GMT 16 Jul 82]

NO COMPROMISE WITH GOVERNMENT CRIMINALITY--President Marcos said yesterday there will be no compromise in the prosecution of crimes and graft and corruption in the government service. He assured the people that there will be no let-up in the prosecution of criminals. He said the government is undertaking an in-depth study of criminality in the government service, with the aim of preventing it. The president made this announcement in an interview with newsmen at Malacanang. He urged the ombudsman and investigators to do their jobs. He added that it was only under his administration that cases involving millions of pesos have been filed in courts. [Text] [HK180046 Manila Far East Broadcasting Company in English 2330 GMT 17 Jul 82]

INDICTMENT ON ANTIGOVERNMENT CONSPIRACY--Former Development Academy Vice President and [word indistinct] Awardee Horacio Morales and 33 others were indicted on subversion charges yesterday for allegedly conspiring to overthrow the government. The charges were filed by the military with the Quezon City Fiscal's Office. The others charged include Catholic priest (Eviscio Delaverre), lawyer (Ephraim Ancopa), (Lucia Amarilla Pesator), (Gilbert Torres), (Christopher Sawyer), (Jaime Bernal) and (Sixto Carlos) Jr. Through their counsels, the accused waived their right to a speedy trial and moved for the dismissal of the case. The motion was denied by fiscal (Amado Gonsales). He said under the law a fiscal's office had only 7 days to decide on the merits of the charges. [Text] [HK200111 Manila Far East Broadcasting Company in English 2330 GMT 19 Jul 82]

CSO: 4220/246

SIRIMA'S LEADERSHIP QUESTIONED

Colombo THE ISLAND in English 16 Jul 82 p 2

[Text2

At the last General Elections, people voted for Mr.J.R.Jayewardene to become the Prime Minister and not Mr.Premadasa, said Mrs. Sirima Bandaranaike, addressing a mass rally of the SLFP(S) at Dematagoda yesterday.

She said that there was corruption in the present Government. Most of the Nationalised ventures and Factories were being given to foreign multi-national companies with tax holidays and other concessions. Because of such actions, the Government was losing revenue. The Finance Minister would not be able to present a budget this year if he did not get more loans from foreign countries or the World Bank.

She said that the biggest wastage of money and material was found in the Ministries which came under the Prime Minister.

Mrs.Bandaranaike said that if the President Mr.J.R.Jayewardene was keen on clean elections, he should restore her civic rights and face the elections like a real man.

She challenged President Jayewardene to contest the Presidential elections in a straight contest with her and without the proposed amendments to the Constitution.

She added that Mr.Anura ranaik was indisposed at Nuwara Eliya and was unable to attend the meeting.

Further report of the meeting will be carried tomorrow.

CSO: 4220/252

SIRIMA HURLS ANTIGOVERNMENT ACCUSATIONS

Colombo THE ISLAND in English 16 Jul 82 p 1

[Text]

"ACCORDING to the verdict of the Select Committee of Parliament, Mrs. Sirimavo Bandaranaike has no power over the Sri Lanka Freedom Party any more. From July 8 as the S.L.F.P. exists under my leadership with the party's symbol, hand and the colour, blue, said Mr. Maithripala Senanayake SLFP (M) leader at the first election campaign rally held at Hiriwadunne in Kegalle electorate.

He said that the legality of the S.L.F.P. had been secured only because his group took the right path to save the party at a crucial time.

During the past five years S.L.F.P. supporters underwent many difficulties. They were harassed by U.N.Pers after the elections and barred from securing jobs. Many strikers had not been reinstated and some lost their jobs. So it is our prime duty to ensure that the errors were rectified and relief brought to those people who suffered he added.

Mr. P. B. G. Kalugalle said that Mrs. Bandaranaike, who had lost her civic rights, had no right to lead the party. Therefore they had asked her to retreat from the leadership of

the party and let Mr. Maithripala Senanayake lead it and face the general elections in 1983. She had replied "We will come into power in 1989 when I regain my civic rights". That was the way how Mrs. Bandaranaike had thought about the S.L.F.P. and its supporters.

We are going to face the General Elections in 1983 under the leadership of Mr. Senanayake. But we won't allow any of the followers of the Sirima Group to contest the election under the S.L.F.P. ticket with Mrs. Bandaranaike as their leader. If they do so, we would get the court of law to issue a 'Nis Order' to cancel their candidature he said.

Mr. S. K. K. Sooriarachchi said the S.L.F.P. was a rational party under Mr. Senanayake's leadership. Any member was free to rise to the top, even if he was not a member of the Bandaranaike family.

He requested the supporters to rally round the party under the leadership of Mr. Senanayake and help to build a better and prosperous Sri Lanka.

Ven. Wallallwita Saddananda, Harispattuwa, 2nd M.P., R. P. Wijesiri, Colombo Central 3rd M.P. Haleem Ishak, V.T.G. Karunaratna, Ariyananda Samarasinghe and several others also spoke.

CSO: 4220/252

FREE FOOD FOR LOWER INCOME EARNERS

Colombo SUN in English 16 Jul 82 p 1

[Article by Jennifer Henricus]

[Text]

Two million more people are to be included in Government's social welfare programme of Food Stamps.

These persons, a recent survey has revealed, had been excluded due to oversight from the programme to assist those in the lower income groups in 1979.

INCOME LESS THAN RS. 300

Nearly 7.5 million people, with an income of less than Rs. 300 came under the programme in 1979.

The figure, excluded from the programme has been computed by the Ministry of Food and Co-operatives from data collected by the special service officers of the grama sevaka divisions throughout the country.

The figure, however, could be much higher because complete data had not been received from seven districts, including Ratnapura and Jaffna, officials said.

The survey conducted by the special service officers was aimed at ascertaining how many people were eligible for the scheme but were not receiving the stamps, and how many people were ineligible but receiving the stamps.

According to the data, 'SUN' learns that very few stamp holders are ineligible, while the number of those who have to be included in the scheme is very high.

The food stamp scheme came up for discussion at the Government Group meeting last week where MPs voiced their concern at the fact that several deserving people, most of them very poor, were not receiving the stamps.

They were assured that remedial measures would be taken immediately, and that Cabinet had called for an urgent report on the matter from the Food Department.

According to informed sources the report is to be submitted to Cabinet this week, although complete data had not been received.

The floods in Ratnapura made it impossible to collect data there, while the delay in the appointment of special service officers in other areas has also hampered data collection.

Those eligible, 'SUN' learns, are to be included in the scheme from September.

Meanwhile Government's decision to increase the value of the food stamps was shelved because of the additional expenditure incurred as drought relief to those who were affected by the recent drought.

NEW LAW ON TEA EXPORT ISSUED

Colombo SUN in English 16 Jul 82 p 1

[Text]

The Tea Commissioner has laid down a series of stringent regulations regarding the registration of all overseas tea contracts, the purchasing of exporters' tea requirements and warehousing.

The regulations spelt out in a circular to all registered tea exporters, come in the wake of a series of detections of tea frauds, and several international complaints of price underquoting which are undermining the Sri Lanka market in several countries.

According to the circular, all overseas contracts should be registered with the tea exports branch of the Sri Lanka Tea Board within 48 hours of obtaining confirmation of the prices. Exporters have been instructed to register their contracts even before the establishing of the letters of credit.

They have also been instructed that all applications for registration of contracts should be handed only to the officer handling the subject at the tea exports branch in order to maintain the secrecy of the contracts.

With regard to purchasing, the exporters have been strictly directed not to obtain their requirements of tea for any purpose from licensed tea dealers who are not registered exporters of tea.

The Tea Commissioner has also directed the exporters to store the teas only in warehouses that have been declared to the tea exports branch. He also calls for an up-to-date record of the location of storage of such tea to be made available to the inspecting staff of the Sri Lanka Tea Board.

In the past few months several large scale frauds of blending teas with quantities unfit for human consumption underquoting of freight measurements and subsequent underquoting of tea prices in the international market and poor storage of tea have been detected by the Tea Board.

According to officials all these detections indicate a massive attempt by certain exporters to ruin Sri Lanka's hold on the market in several leading buyer countries.

FOREIGN JOBS TOP TEA AS FOREIGN EXCHANGE EARNER

Colombo DAILY NEWS in English 16 Jul 82 p 1

[Text]

Foreign employment will soon be the biggest foreign exchange earner, beating tea to the second place. Employment remittances will equal tea earnings this year.

Trade and Shipping Minister Lalith Athulathmudali who addressed the Students' Union of the Law College said that the preliminary estimates showed that foreign remittances this year would top six billion rupees. Tea will earn about the same.

In 1981 foreign remittances totalled Rs 4.4 billion and beat rubber and garments to the third and the fourth places on the hard currency earnings score board.

Mr. Athulathmudali who answered questions from students after detailing the development strategy of the government said that the gap between imports and exports could be bridged by money the country earned by way of services.

"Don't blame our

brothers and sisters for going abroad. They are doing their duty by the country" he said.

He also spelt out the new strategy the government was concentrating on. "We are aware that the marketing profits are bigger than her production profits. We are now devising ways and means to reach the marketing profits from tea, rubber and coconut", he said.

The Minister also referred to the proposed constitutional amendment to the proportional representation system to enable picking candidates giving weightage to the wishes of the people. He said that would be done by comparing the percentage of votes polled by each of them.

STOCKPILED PADDY CAUSING PROBLEM

Colombo THE ISLAND in English 16 Jul 82 pp 1, 3

[Article by Ranjan Joseph]

[Text]

Co-operative Societies in paddy-producing areas are stuck with stocks of paddy amounting to about 1.6 million bushels. These are purchases made from the April Maha harvest.

Co-ops at Amparai, Anuradhapura, Polonnaruwa and Kurunegala are in serious financial difficulties as a result and are unable to settle a sum of Rs. 80 million which they obtained as loans from the People's Bank for the purchase of the paddy.

The Co-ops, which were earlier agents for the Paddy Marketing Board had, this year, decided to purchase paddy from farmers in competition with the Paddy Marketing Board and the private traders.

According to sources in the Department of Co-operative Development, the Co-ops had anticipated that the selling price of paddy this year would go up to Rs. 4 per kilo like last year, and purchased paddy from farmers at Rs.3.20 per kilo. However, the price offered by the PMB to farmers was very much less this year, i.e. Rs.2.84 per kilo, and even the private trader offered only about Rs.3.00 per kilo.

Last year, around July/August, the price of a kilo of paddy went up to about Rs.4.00, but this year, the prices anticipated by the Co-operative Societies were not achieved. At present, the price of

a kilo of paddy is about Rs.3.50. Co-operative circles say that the thirty cents difference between the buying price and the selling price is insufficient to cover the expenses incurred by the Co-operatives.

The PMB had fixed their floor price on the basis of market research studies and even in the private sector, there had been no excess buying of paddy this year. The Co-operatives, which had done no market research whatsoever had, however, gone on a massive paddy-buying spree and their rates were often well above the figures quoted by private traders who had also studied the paddy market position.

A spokesman for the Ministry of Food and Co-operatives told 'The Island' that the Minister Mr.S.B.Herat had already been informed of the predicament facing some of the Co-op Societies in the four paddy-producing areas. He added that moves were under way to dispose of 12,000 metric tons of milled rice (about 1.4 million bushels). A total of 1.6 million bushels has accumulated in the Co-operatives.

The Department of Co-operative Development had suggested that the Food Commissioner will have to buy rice at Rs.5.40 per kilo at least for the Co-operatives to avoid losses on the sales.

Departmental sources said they were awaiting a report from the Food Commissioner on the matter.